

Reverse Auction Program

Business Rules



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Office of Public and Indian Housing
Real Estate Assessment Center

TABLE OF CONTENTS

GLOSSARY	2
BUSINESS RULES	6
1.0 CONTRACTOR REQUIREMENTS.....	6
1.1 CONTRACTOR ELIGIBILITY	6
1.1.1 SMALL BUSINESS CERTIFICATION	7
1.1.2 INSPECTOR CERTIFICATION	7
1.1.3 LEVEL II CREDIT CARD VENDOR.....	8
1.1.4 INSURANCE CERTIFICATION.....	8
1.2 CONTRACTOR RESPONSIBILITY	8
1.3 CONTRACTOR VS. INSPECTOR ELIGIBILITY	10
1.4 CONFLICTS OF INTEREST	10
1.4.1 PROHIBITIONS.....	10
1.4.2. ELIMINATING AND MITIGATING CONFLICTS OF INTEREST.....	11
1.4.3 FUTURE INVOLVEMENT WITH PROPERTY OWNERS.....	11
1.4.4 BIDDING ON INSPECTIONS WITH KNOWN CONFLICTS OF INTEREST.....	11
2.0 INSPECTOR REQUIREMENTS.....	11
2.1 INSPECTOR TRAINING AND CERTIFICATION	11
2.1.1 APPLICATION	11
2.1.2 TRAINING.....	12
2.1.3 CERTIFICATION	12
2.1.4 MAINTAINING CERTIFICATION	12
2.2 INSPECTOR DE-CERTIFICATION.....	12
3.0 REVERSE AUCTION.....	13
3.1 AUCTION WEBSITE	13
3.1.1 PROGRAM ANNOUNCEMENT.....	13
3.1.2 AUCTION WEBSITE TRAINING	13
3.1.3 WEBSITE ACCESS AND HELP DESK ASSISTANCE.....	13
3.1.4 PROPERTY AND LOT DESCRIPTION	13
3.1.5 PROPERTY PREVIEW AND SEARCH CAPABILITY	14
3.2 BIDDING	14
3.2.1 WORKLOAD MANAGEMENT	14
3.2.2 BIDDING FUNCTIONALITY.....	15
3.2.3 PROXY UTILITY.....	15
3.3 AUCTION EXTENSION	16
4.0 PURCHASE ORDERS.....	16
4.1 AWARD.....	16
4.2 INSPECTION SCHEDULING	17
4.3 PERIOD OF PERFORMANCE	17
4.4 NON-AWARD	18
4.5 BID PROTESTS	18
ATTACHMENT 1	19
ATTACHMENT 2.....	21
ATTACHMENT 3.....	23
ATTACHMENT 4.....	25

GLOSSARY

Active Inspector – Inspector is defined as the individual, certified by the U.S. Department of Housing and Urban Development (HUD) Office of Public and Indian Housing – Real Estate Assessment Center (PIH-REAC) in the Uniform Physical Condition Standards (UPCS) inspection protocol, who performs on-site property inspections. Active inspectors have all standard inspection privileges and can login to Secure Systems. The names of all active inspectors who opt to have their name posted appear on the PIH-REAC external web listing of available inspectors. Reverse Auction Program (RAP) inspectors may be contractors, employees of a contractor, subcontractors to a contractor, or employees of a subcontractor.

Authorization Code – An authorization code (Inspection ID) is used to match inspection work authorized for payment with the claim for payment.

Bid Price – This is the price offered by a contractor under the RAP for a purchase order and is the total amount the contractor will be paid for all work required by the purchase order.

Ceiling Price – HUD sets a ceiling price per inspection, which is auction specific. Bidders cannot place a bid that is greater than the ceiling price.

Collaborative Quality Assurance (CQA) Review – This review is performed side-by-side with the inspector while the inspector is conducting the inspection. During the CQA review, the inspector's overall performance is rated either "Within Standard" or "Outside Standard" based on the inspector's ability to follow the UPCS inspection protocol. An "Outside Standard" performance designation will be referred to PIH-REAC Inspector Administration for follow-up action. Compilation of "Outside Standard" QA reviews may result in inspector de-certification.

Contractor – This is the entity (e.g., business concern, individual) that enters into the contract with HUD to provide the inspection services. The contractor is legally responsible for performing all work in accordance with the RAP Purchase Order Terms and Conditions.

Data Collection Device (DCD) – DCD is the portable computer used by inspectors to record inspection observations while on-site. This handheld device may be a Toughbook, Pocket PC, Personal Data Assistant (PDA), or any other mobile device used for data collection.

De-activated Inspector – De-activated inspectors cannot login to Secure Systems and are not listed on the PIH-REAC external web listing of available inspectors. A de-activated inspector may take steps to become re-activated.

De-certified Inspector – De-certified inspectors cannot login to Secure Systems and are not listed on the PIH-REAC external web listing of available inspectors. A de-certified inspector has had all inspection privileges terminated, and must be re-certified to conduct PIH-REAC physical inspections. Depending on the reason for de-certification, re-certification may be denied. De-certified inspectors must return their HUD-issued photo identification badge.

Decrements – Decrement is the preset decrease in the bid price of an inspection.

Estimated Inspection Duration – The estimated inspection duration calculation determines the number of days needed to properly complete an inspection.

FAR – This is the Federal Acquisition Regulation (Title 48 Chapter 1 of the Code of Federal Regulations), the contracting regulations that govern the RAP.

Floor Price – HUD sets a floor price per inspection, which is auction specific. Contractors cannot place a bid that is less than the floor price.

HUD – This refers to the U.S. Department of Housing and Urban Development.

I-ID – I-IDs are given to individuals through an online application process for those interested in bidding as RAP contractors. These participants are not active, certified inspectors. The individual who applies for and receives an I-ID for purposes of the RAP serves as a representative of a small business.

Inspection ID – This refers to a unique number generated by PIH-REAC Secure Systems for every property inspection ordered. This data element is posted to the auction website and used for reference.

Inspector – This is the individual who performs the physical inspection of properties. Inspectors may be the contractor, employees of the contractor, or subcontractors.

Level II MasterCard Vendor Account – A Level II MasterCard vendor account is an electronic payment system, commonly referred to as a “merchant account.” This account enables a business to accept credit card payments through a virtual terminal (Internet website) for services rendered. To participate in the RAP, each contractor must establish and maintain a vendor account with a MasterCard credit card company or merchant account provider. The account **must** be able to process payments through an online terminal with a Merchant Category Code (MCC) of “9399-Government Services,” and must use the requirements under “Level II Data.” A Level II vendor account requires additional information for each purchase, including an “authorization code,” which is necessary for payment for a specific inspection.

Limited Quality Assurance (LQA) Review – This review is performed after the inspector has completed the inspection to determine whether or not the inspection was a true representation of the physical condition of the property at the time the inspection took place. As a result of the LQA review, the inspector’s performance is rated either “Within Standard” or “Outside Standard” based on their ability to follow the UPCS inspection protocol. An “Outside Standard” performance designation will be referred to PIH-REAC Inspector Administration for follow-up action. Compilation of outside standard QA reviews may result in inspector de-certification.

Lot Group – A lot group contains one or more property inspections in an auction to be procured together. A contractor must bid on all property inspections within a lot group.

M-ID Number – Upon certification, PIH-REAC provides passing applicants with an identification number and a photo identification badge. The M-ID number is a unique identifier used to access PIH-REAC Secure Systems and allows inspectors to schedule, download, and upload inspections.

Minimum Bid – The auction website allows contractors to set a minimum bid price for an inspection that the contractor is unwilling to bid below, when utilizing the proxy utility.

Payment Terms – See the RAP Purchase Order Terms and Conditions.

PIH-REAC – The PIH-REAC acronym stands for HUD’s Office of Public and Indian Housing – Real Estate Assessment Center.

Point of Sale (POS) – The POS indicates when the purchase order has been generated and the inspection work awarded to the lowest, eligible contractor.

Property ID – Each property to be inspected has a unique Property ID. This data element is posted to the auction website and used for reference.

Proxy Utility – The auction website includes a proxy utility, for use by the contractors at their discretion. This utility enables a contractor to enter successive bids for property inspections, even when not logged on to the auction website. The contractor may choose an initial bid for a property and a minimum bid price that the contractor is not willing to bid below. The proxy utility will not allow a minimum bid price that is lower than the floor price set by PIH-REAC. Once an initial bid is entered, the proxy utility will place successive bids at the next available decrement each time another contractor enters a lower bid, until it reaches the contractor’s set minimum bid price.

Purchase Order – HUD will purchase inspections under the RAP using purchase orders in accordance with simplified acquisition procedures (see Federal Acquisition Regulation Part 13). The purchase orders will be paperless. See the RAP Purchase Order Terms and Conditions on the PIH-REAC website for details at:
http://www.hud.gov/offices/reac/products/pass/pass_reverse_auction.cfm.

Quality Assurance (QA) Review – A QA review evaluates inspector performance to help ensure the accuracy and consistency of physical inspections. QA reviews may be conducted at any time, including during the course of a property inspection, following an inspection, or as a separate analysis.

Scattered Site – A property in which its buildings are scattered among different plots of land is referred to as a scattered site.

Secure Systems – Secure Systems refers to the PIH-REAC Internet website available to only approved users, including active, certified inspectors and eligible RAP contractors. Secure Systems allows users to schedule, download, and upload inspections, report uninspectable properties, and access inspection work authorized for payment.

UPCS Inspection Protocol – The UPCS inspection protocol provides a uniform, objective protocol for performing inspections of all property types, identifies the five inspectable areas and exigent health and safety hazards, and establishes standardized definitions for inspectable items.

UPCS Inspection Software – Inspectors utilize the UPCS inspection software to record inspection observations while on-site. The current version of the software provided by HUD must be downloaded to the DCD, and is available on the PIH-REAC website at:
<http://www.hud.gov/offices/reac/products/pass/software.cfm>.

User ID and Password – Each RAP contractor is assigned an identification number and password by the auction vendor to be used to access the reverse auction website.

BUSINESS RULES

Introduction

This document identifies the business rules for contractors interested in participating in the Reverse Auction Program (RAP) conducted by the U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing (PIH), Real Estate Assessment Center (REAC). These rules consist of requirements, procedures, and policies that are subject to change; revised versions will be made available on the PIH-REAC website at: http://www.hud.gov/offices/reac/products/pass/pass_reverse_auction.cfm.

The PIH-REAC RAP is a process of: (a) identifying properties needing inspection; (b) procuring bids to conduct the inspections; (c) reviewing and accepting inspections; and (d) authorizing payment to contractors. Specifically:

- The auction is conducted with the use of a reverse auction vendor website;
- Contractors bid on inspection assignments throughout the nation, including Puerto Rico, U.S. Virgin Islands, and Guam;
- Purchase order awards are made to the lowest, eligible contractor at the close of the auction;
- Active, certified inspectors then schedule and conduct the inspection, and upload the inspection observations to PIH-REAC;
- Once the inspection is accepted by PIH-REAC, payment is authorized; and
- Payment is made electronically to the contractor's vendor account.

Reverse Auction Program Participants

A contractor is a small business that participates in the RAP by bidding on a lot group of properties to be inspected.

An inspector is an individual, certified by PIH-REAC in the UPCS inspection protocol, who performs on-site property inspections. Inspectors may be contractors themselves, employees of a contractor, subcontractors to a contractor, or employees of a subcontractor.

1.0 Contractor Requirements

1.1 Contractor Eligibility

Contractors must meet the following requirements to participate in the RAP:

- Qualify as a small business concern as defined by the Small Business Association (SBA) and the North American Industry Classification System (NAICS) code 541350 (see section 1.1.1 below). ***Contractors who are other than small businesses are not eligible to compete. Bids from parties that are other than small businesses will be rejected as non-responsive*** (see also provision 52.219-6 Notice of Total Small Business Set-Aside in Attachment 1 to the Purchase Order Terms and Conditions);

- Maintain status as a Level II on-line service MasterCard vendor;
- Maintain a minimum of \$500,000 general liability insurance;
- Complete and return a fully-executed IRS form W-9 to PIH-REAC; and
- Be eligible to receive Federal contracts (i.e., not be suspended or debarred, or under a HUD-imposed Limited Denial of Participation; see section 1.2). ***Bids from ineligible bidders will be rejected.***

Contractors are expected to furnish PIH-REAC with specific information, described below, to satisfy the above requirements. The information should be submitted via email to: ReacReverseAuctionProgram@hud.gov, at least five business days prior to the start of a contractor's first auction or when any changes are made prior to participating in an auction. This email shall also contain a contractor's contact information, including contact name, mailing address, phone number, and email address.

If a contractor is not a certified inspector with an active M-ID, a representative from the contractor's small business concern must register for an ID and password in order to access PIH-REAC Secure Systems. This registration requires entry of a social security number, which is used to help ensure HUD systems are secure. ***PIH-REAC staff will not receive or utilize the registrant's social security number.*** In order to receive full access to the RAP system components, a contractor must submit a user ID to: ReacReverseAuctionProgram@hud.gov at least three business days prior to the start of the contractor's first auction.

1.1.1 Small Business Certification

"Small business concern," means a concern, including its affiliates that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the size standards for the North American Industry Classification System (NAICS) code 541350.

The Small Business Administration (SBA) establishes small business size standards on an industry-by-industry basis. Small business size standards are applied by classifying the product or service being acquired in the industry whose definition, as found in the NAICS Manual (available via the Internet at <http://www.census.gov/epcd/www/naics.html>), best describes the principal nature of the product or service being acquired. These services are classified under NAICS code 541350 for which the size standard is \$6 million in average annual receipts.

Contractors must register with the Central Contractor Registration (CCR) and receive registration confirmation via email. A contractor must forward the SBA Data Universal Numbering System (DUNS) number to ReacReverseAuctionProgram@hud.gov as proof that the contractor has registered and been approved. Refer to Attachment 1: Small Business Registration Fact Sheet for more information.

1.1.2 Inspector Certification

Contractors must ensure all inspections are conducted by inspectors who are certified in the UPCS inspection protocol and utilize the current version of the software.

A contractor may be an active, certified inspector. If a contractor employs inspectors to conduct PIH-REAC inspections, the contractor must use active inspectors that are certified by PIH-REAC in the UPCS inspection protocol. In such cases, the contractor retains the responsibility of prime contractor. Section 2.0 of this document provides the requirements to remain an active, certified inspector.

1.1.3 Level II Credit Card Vendor

As proof of a Level II MasterCard vendor relationship, the contractor must provide the account number, point of contact name, and contact phone number.

The contractor and merchant processor must have the ability to enter and pass Level II data to the issuing bank. The merchant processor terminal must be designated with a MCC of 9399-Government Services in order to permit payments to be authorized and settled. Refer to Attachment 2: MasterCard Vendor Account Fact Sheet for additional information.

Upon verification of contractor eligibility, PIH-REAC will provide the contractor with a HUD sub account number, which is necessary to claim payment. PIH-REAC will also provide each contractor with an authorization number upon acceptance of each inspection product. Payment for inspections performed will be deposited directly to the responsible contractor's designated bank account. If the contractor does not remain an active MasterCard vendor, the contractor *cannot* receive compensation for the inspection work. HUD will *not* pay any transaction or activation fees associated with establishing and maintaining this vendor account or any credit card fees.

1.1.4 Insurance Certification

As proof of insurance, a contractor must provide PIH-REAC with the name, address, and telephone number of the general liability insurance company providing the contractor insurance coverage, as well as the policy number. Contractor insurance coverage is subject to random verification.

1.2 Contractor Responsibility

In addition to meeting the eligibility requirements set forth in Section 1.1, HUD must determine that each successful low bidder is responsible. Responsible, as the word is used in the Federal Acquisition Regulation (FAR), means that the contractor meets the standards set forth FAR Subpart 9.1, Contractor Qualifications. All bidders are strongly encouraged to familiarize themselves with that Subpart.

FAR 9.104-1 requires that:

“To be determined responsible, a prospective contractor must --

- (a) Have adequate financial resources to perform the contract, or the ability to obtain them (see [9.104-3\(a\)](#));
- (b) Be able to comply with the required or proposed delivery or performance schedule, taking into consideration all existing commercial and governmental business commitments;
- (c) Have a satisfactory performance record (see [9.104-3\(b\)](#) and [Subpart 42.15](#)). A prospective contractor shall not be determined responsible or non-responsible solely on the basis of a lack of relevant performance history, except as provided in [9.104-2](#);
- (d) Have a satisfactory record of integrity and business ethics;
- (e) Have the necessary organization, experience, accounting and operational controls, and technical skills, or the ability to obtain them (including, as appropriate, such elements as production control procedures, property control systems, quality assurance measures, and safety programs applicable to materials to be produced or services to be performed by the prospective contractor and subcontractors). (See [9.104-3 \(a\)](#).)
- (f) Have the necessary production, construction, and technical equipment and facilities, or the ability to obtain them (see [9.104-3\(a\)](#)); and
- (g) Be otherwise qualified and eligible to receive an award under applicable laws and regulations.”

Contractors who have performed inspections under previous RAP task orders are advised that their performance history under those purchase orders will be a **significant** factor in determining their responsibility under 9.104-1(c). FAR 9.104-3, paragraph (b), states, “A prospective contractor that is or recently has been seriously deficient in contract performance shall be presumed to be non-responsible, unless the contracting officer determines that the circumstances were properly beyond the contractor’s control, or that the contractor has taken appropriate corrective action. Past failure to apply sufficient tenacity and perseverance to perform acceptably is strong evidence of non-responsibility. Failure to meet the quality requirements of the contract is a significant factor to consider in determining satisfactory performance.”

In meeting the requirement in 9.104-1(f), bidders must have all necessary equipment (e.g., DCD) and adequate internet connectivity at the time the purchase order is awarded (HUD highly recommends high speed internet connectivity).

In meeting the requirement in 9.104-1(g), bidders must not be suspended or debarred from receiving Federal contracts, or under a HUD-imposed Limited Denial of Participation.

A determination of responsibility is a matter of judgment and will be made by weighing available evidence. A contractor must be determined to be responsible at the time the purchase order is awarded. Therefore, the contractor will have until the time he/she accepts the purchase order to meet the above requirements (e.g., obtain equipment, engage certified inspectors). A

prior determination of responsibility does not guarantee that the contractor will be determined responsible for subsequent awards.

If HUD determines that a contractor is ineligible to receive an award due to non-responsibility, HUD will refer the matter to the SBA, which will decide whether or not to issue a Certificate of Competency stating that the contractor is competent to receive the contract.

1.3 Contractor vs. Inspector Eligibility

A sole proprietor contractor, who is also a PIH-REAC-certified inspector, may be deemed ineligible to compete for, and/or receive a purchase order award. However, unless that inspector has been de-activated or de-certified, he/she will still be eligible to perform inspections under a different contractor's purchase order.

An inspector who becomes de-activated or de-certified as an inspector may be eligible to compete for and receive a purchase order, unless the reasons for de-certification also render him/her non-responsible or otherwise ineligible for purchase order award.

1.4 Conflicts of Interest

1.4.1 Prohibitions.

An inspector may not inspect any property:

- In which the contractor, inspector, or any business associate or any immediate family member of the contractor or inspector has a financial interest in its ownership or management. This includes employees of the property owner or manager and members or directors of a property's board of commissioners;
- In which the contractor, inspector, or any business associates or immediate family members of the contractor or inspector has performed any other work of any nature, either under contract or via any other arrangement for the property, or the property owner or manager;
- If the inspector or contractor has a non-financial interest in the property, or a relationship with the owner or manager of the property, that would compromise the inspector's or contractor's objectivity. Such relationships may include, but are not limited to: current residents of the property; former employees of the property owner whose employment was terminated for cause; non-paid members of the board of commissioners that governs the property; individuals with litigation pending against the property owner or manager; and individuals who have a pending grievance or complaint filed against the property owner or manager; or,
- Any other condition, situation or relationship exists where the objectivity of the inspector or contractor with regard to the property may be called into question.

1.4.2. Eliminating and Mitigating Conflicts of Interest.

Contractors will be required to take steps to promptly eliminate or mitigate a conflict of interest, including removing an inspector from any inspection where the inspector has such a conflict. The burden shall be on the contractor to prove that a conflict of interest has been eliminated or mitigated to PIH-REAC's satisfaction. If the contractor cannot eliminate a conflict of interest or mitigate it to PIH-REAC's satisfaction (e.g., if an inspector has a conflict of interest and the contractor has no other inspector available to perform the inspection), the Contracting Officer may terminate this contract in whole or in part (if the purchase order includes more than the affected inspection(s)), and contract with another source for the affected inspection(s).

1.4.3 Future Involvement with Property Owners.

Successful contractors may not provide training or consulting services to any Public Housing Authority (PHA) or other property owner whose property the contractor has inspected during the time period from the issuance date of this purchase order through twelve (12) months after the purchase order expiration date.

1.4.4 Bidding on Inspections with Known Conflicts of Interest.

Contractors are responsible for refraining from bidding on inspection work in which the contractor or the intended inspector has a known conflict of interest.

2.0 Inspector Requirements

2.1 Inspector Training and Certification

PIH-REAC requires inspectors to attend UPCS inspection protocol training and pass subsequent exams. PIH-REAC also requires inspectors to conduct inspections according to the UPCS inspection protocol in order to maintain active certification. ***HUD will not pay or reimburse contractors or inspectors for any costs they incur for training purposes (e.g., travel expenses).***

2.1.1 Application

The PIH-REAC Training Program represents the only means for a qualified applicant to become certified to perform PIH-REAC inspections. In order to participate in this training, the applicant must already have sufficient skills and experience as an inspector.

Applicants must complete the Inspector Assessment Form, which is available on the PIH-REAC website at: http://www.hud.gov/offices/reac/products/prodpass_iaform.cfm. The Inspector Assessment Form is a questionnaire, which provides basic background information about each applicant's skills and abilities, including inspection experience, education, specialized training, computer experience, and other related information. Applicants must also provide contact information.

An applicant will be notified via email whether or not the applicant is selected to participate in the training. If selected, the applicant's notification will include an invitation to participate in the most recently enhanced training program.

2.1.2 Training

The current certification training includes five days of intensive instructor-led classroom sessions, concentrating on PIH-REAC inspector protocol, deficiency definition, hands-on software instruction, and certification exams. Training Program coordinators may be contacted at: reacpasstraining@hud.gov.

2.1.3 Certification

Only after completing training and passing the certification examinations will an inspector applicant be certified to conduct PIH-REAC inspections. Certification is conditional until the inspector successfully, independently performs an inspection under the supervision of a HUD QA inspector.

2.1.4 Maintaining Certification

In order to maintain active inspector certification, inspectors must successfully perform a UPCS inspection at least once in a 180 consecutive calendar day period. A UPCS inspection is considered successful only after the inspection results have been uploaded by the inspector and accepted by PIH-REAC. Furthermore, the inspector must be in compliance with Inspector Notice No. 2002-01, Maintain Active Certification, and any additional related notices. Inspector performance is monitored in accordance with Inspector Notice No. 2002-02 and the Inspector Administration Business Rules. The PIH-REAC Inspector Administration website is available at: <http://www.hud.gov/offices/reac/products/pass/inspectors.cfm>.

2.2 Inspector De-certification

Inspector Notice No. 2002-02, Inspector Administration Business Rules, and any additional related notices, outline the administrative actions that may be taken if an inspector's performance is found to be deficient. Certain violations of the UPCS inspection protocol may disqualify an inspector from performing future inspection services. These violations include, but are not limited to:

- Purposeful violations and/or omissions of the inspection protocol;
- Fraud;
-
- Registration as a sex offender;
- Delinquency on any federal debt;
- Theft; and
- Violent acts.

PIH-REAC Inspector Administration staff may recommend de-activating or de-certifying an inspector. Inspectors may appeal a de-certification according to the Inspector Administration rules and procedures.

3.0 Reverse Auction

3.1 Auction Website

PIH-REAC plans to conduct auctions at least once every quarter and as many times as necessary to satisfy HUD's requirements for inspections. The RAP allows PIH-REAC to post inspections to a website and contractors to bid on the property inspections.

3.1.1 Program Announcement

Each RAP auction will be posted on the REAC RAP Website and contractors will receive an email notification of each upcoming auction event, to include the:

- Estimated number of properties in an auction event and geographical information;
- Estimated amount of time the auction will remain open for bidding; and
- Period during which the inspections must be scheduled and completed.

3.1.2 Auction Website Training

RAP contractors may participate in training activities prior to commencement of the auction, including an online session in the use of the auction website. PIH-REAC anticipates that the conference call, training, and/or mock auction should take each contractor a maximum of four hours to complete.

3.1.3 Website Access and Help Desk Assistance

The auction website vendor will provide each contractor with login credentials to access the secure auction website. If a contractor has any problems with the supplied user ID and password, the contractor may contact the website vendor's help desk. Contractors will be furnished with information on how to access the help desk, the corresponding email addresses and telephone numbers, and any other RAP assistance.

3.1.4 Property and Lot Description

"Lot" refers to one or a group of inspections clustered by PIH-REAC for award to a successful contractor. If a contractor elects to bid on an inspection for any property in a lot, the contractor must bid on every property in that lot. If a contractor fails to bid on every property in the lot, the system will not accept the proposed bids. The eligible contractor offering to perform the lot inspection(s) for the lowest total lot price will be awarded the inspection work.

Each inspection within the lot remains distinct. The winning contractor will schedule each inspection separately, and an active, certified inspector will conduct each inspection separately.

PIH-REAC will pay the contractor directly and separately for each accepted inspection. Failure to complete all inspections within each lot may make the contractor ineligible for future inspection services.

3.1.5 Property Preview and Search Capability

When possible, properties available for auction will be posted to the website prior to the start of an auction. Contractors may use this opportunity to identify the properties on which they would like to place bids. The online system will allow each contractor to search through lot and property data pertaining to the inspections posted for auction. Search criteria may include, but is not limited to:

- Property name;
- City;
- State;
- Zip code;
- Scattered site indicator;
- Estimated inspection duration; and
- PHA code.

The building and unit counts that appear on the auction website are the counts derived from HUD's data systems, and may differ from the actual building and unit counts. Inspectors must verify the building and unit counts when on-site according to the RAP Purchase Order Terms and Conditions.

3.2 Bidding

Contractors should account for all costs and risks when calculating their bid price. For example, the contractor should take into consideration the expected level of effort required to perform the inspection, as well as any related expenses, such as travel. Contractors should consider the possibility of not being able to inspect a property, and adjust their prices accordingly. Historically, approximately one to three percent of the total properties inspected were verified as unsuccessful inspections. Payment terms per inspection outcome are provided in the RAP Purchase Order Terms and Conditions.

Contractors should consider that the inspection fieldwork must be completed within the timeframe established by PIH-REAC and according to the schedule agreed upon with the property representative. All aspects of the UPCS inspection protocol are to be followed, including: correctly documenting the property profile; accomplishing a complete verification of the property prior to generating the sample; and observing all items and recording all deficiencies correctly. Strict adherence to the protocol is necessary, as PIH-REAC is expecting high quality inspections.

3.2.1 Workload Management

The auction website has a utility that permits a contractor to self-impose a limit on the number of workdays for inspections that can be awarded to the contractor per auction. This utility is a safeguard, ensuring that contractors can complete all awarded inspections within the performance period.

For example:

- If the contractor has only a single inspector, the amount of work the contractor should be awarded should not exceed the number of workdays available for one inspector within the performance period;
- If the inspection period is between January 1 and March 31, the contractor has between 19-23 workdays each month, or roughly 60-workdays to conduct the awarded inspections during the performance period; and
- The contractor should self-impose a limit of 60 workdays.

All contractors need to be aware of this utility, as it will allow contractors to limit the awardable inspection work, which may be affected by vacations and part-time contractors. However, contractors who are not limited to a single inspector's workday limit may choose to set the threshold at a high enough number so as not to limit the number of inspections that can be awarded. Through this utility, inspection work can be awarded to the contractors up until the self-imposed threshold is met. The utility does not allow the contractor to pick and choose which inspections are to be awarded first, second, and third, etc.

3.2.2 Bidding Functionality

The auction website will automatically total the per-property bid amounts submitted by a contractor within a lot to reach a total lot bid amount. During an auction, all total lot bid amounts will be visible to competing contractors. The contractors will not be able to view the individual property bids within a lot or the identity of the leading bidder or any other competing contractor. Specifically, contractors will view the term "bidder" next to all total lot bid amounts submitted by competing bidders. A contractor will also be able to view the contractor's own ID number beside each of the total lot bid amounts submitted by that contractor.

Contractors may place bids in five-dollar decrements per property at or below the ceiling price for that property. The contractor may not place a bid lower than the floor price set for that property. If each inspection within a lot reaches its floor price, no additional bids will be accepted, and the lot will be closed for bidding. If a submitted bid reaches the floor price set for a property inspection, that individual property inspection will become closed for bidding. Contractors may not withdraw a bid once it has been accepted by the system.

3.2.3 Proxy Utility

The auction website includes a proxy utility, for use by contractors at their discretion. Utilizing the proxy capability, the contractor may choose an initial bid for a property and a minimum price that the contractor is not willing to bid below. The proxy functionality will not allow a minimum price that is lower than the floor price set by PIH-REAC. Once an initial bid is entered, the

proxy utility will place successive bids at the next available bid price each time another contractor enters a lower bid, until it reaches the contractor's set minimum proxy price. The bids are only entered automatically when the proxy bids are lower than the current lot aggregate. Thus, contractors do not need to be at their computer during the auction event to be competitive.

The proxy utility is set to automatically decrement each inspection by \$5, assuming that the contractor's proxy price is set to an amount lower than the current leading bid price for that inspection. Therefore, the proxy utility could result in a \$10, \$15, \$20, etc. total decrement amount per lot, depending on both the number of inspections in that lot and the current leading bid price for each inspection within that lot.

For example, suppose a lot is composed of one property inspection, which has an opening price of \$500, and a floor price of \$400. Contractor A enters a proxy price minimum of \$400. The proxy utility will enter a bid of \$500 (the starting price) for Contractor A to start the bidding. Contractor B subsequently enters a manual (not proxy) bid of \$450. The proxy utility automatically enters a lower bid at the next decrement for a bid of \$445 on behalf of Contractor A. Contractor B then enters a manual bid of \$400. The proxy utility will enter another bid for Contractor A at \$400, thus awarding the lot to Contractor A. Since Contractor A set the minimum proxy price at \$400 at the beginning of the auction, Contractor A's proxy bid is recognized as the earliest bid of \$400.

Since the proxy bids are placed per lot inspection and a single lot may contain several property inspections, the proxy bidding utility may not place a bid depending on the competing bids placed.

For more information about the functionality of the proxy utility, please refer to the Frequently Asked Questions document, which is available on the PIH-REAC RAP website (http://www.hud.gov/offices/reac/products/pass/pass_reverse_auction.cfm). Contractors, particularly those new to the RAP, should utilize the training opportunities available from the auction vendor to further understand the mechanics of this utility prior to participating in an auction.

3.3 *Auction Extension*

During the bidding process, PIH-REAC reserves the right to extend the duration of the auction due to extenuating circumstances. These rare cases may include lack of availability of the auction website or natural disasters. PIH-REAC will alert potential contractor participants of any extensions via email, and also through a posting to either the Reverse Auction or PIH-REAC websites.

4.0 *Purchase Orders*

4.1 *Award*

PIH-REAC will award a purchase order for each lot of inspections to the eligible contractor submitting the lowest total lot price. In the case of identical bid amounts, award will be made to

the first bid recorded by the auction software. If the contractor offering the lowest price is ineligible to receive the award, PIH-REAC will award the lot to the next lowest eligible bidder. Contractors shall refer to the RAP Purchase Order Terms and Conditions for specific payment terms at: http://www.hud.gov/offices/reac/products/pass/pass_reverse_auction.cfm.

HUD will not issue paper purchase orders under the RAP. Following selection of the successful contractor, PIH-REAC will issue the purchase order notification to the contractor via email. As stated in the email, contractors will have 24 hours to accept PIH-REAC's purchase order. No response to the email notification is needed if the contractor accepts and the contractor shall proceed with the work. The notification will include the following information, at a minimum, for each lot:

- Winning contractor's information;
- Dollar amount of winning bids;
- Estimated inspection days;
- Expected completion date; and
- Purchase order number.

Contractors must contact PIH-REAC immediately if information in the purchase order notification email is incorrect. Once the purchase order email notification is received and accepted, the successful contractor must obtain the property point of contact information from Secure Systems. This information shall be used to schedule inspections.

4.2 *Inspection Scheduling*

The contractor has 15 days from the start date of the purchase order to schedule all inspections awarded. The contractor must maintain an accurate inspection schedule with PIH-REAC and conduct inspections on the date and time they are scheduled. An accurate inspection schedule is vital to the RAP, as:

- HUD Quality Assurance (QA) may use this information to schedule a Collaborative Quality Assurance (CQA) review of the inspector's performance; and
- HUD Field Offices may wish to coordinate oversight and technical support activities with the schedule of the inspection; and
- Failure to inspect on scheduled dates and times greatly inconveniences tenants and managers of the properties to be inspected.

PIH-REAC is committed to minimizing the burden to POA and PHA staff, as well as residents, during the physical inspection process. RAP contractors must comply with the requirements set forth in Section 5.1 of the RAP Purchase Order Terms and Conditions.

4.3 *Period of Performance*

PIH-REAC will specify the anticipated start and end dates of the period of performance for each inspection or lot of inspections prior to each reverse auction. The period of performance is the specified maximum period during which the contractor must schedule and complete each

assigned inspection and submit the completed inspection report for review. The actual dates of the performance period will be stated in the purchase order award notification issued to the winning contractor.

Adherence to the period of performance specified at the time of the purchase order award is important, as timelines for the completion of physical inspections are mandated by the Public Housing Assessment System (PHAS) Final Rule (24 CFR Part 902, January 11, 2000). For more information regarding period of performance, please reference Section 1.3 of the RAP Purchase Order Terms and Conditions.

The contractor may not exceed the period of performance without written approval (email) from a PIH-REAC official. If the contractor cannot complete the inspection work within the specified performance period, they must send a formal request to extend the Purchase Order period of performance to the RAP mailbox (ReacReverseAuctionProgram@hud.gov). This request **must** be received by HUD before the end of the performance period, and must include all relevant information such as the purchase order number(s), the inspection number(s), and the reason for the extension request. PIH-REAC will review the extension request to determine whether the request is justified. If an extension is granted, the contractor will receive an email revising the purchase order period of performance. If an extension is not granted, the contractor will be responsible for completing the inspection work by the performance period end date.

4.4 *Non-Award*

There may be instances where awards may not be made to the contractor with the lowest bid price. For example, award of a new purchase order, for which a contractor submitted the low bid, may cause that contractor to exceed his/her self-imposed workload management limit for a specific auction. In that case the new purchase order would be awarded to the eligible contractor who submitted the next lowest bid.

There may also be instances where a contractor becomes ineligible during the auction, and cannot be awarded any inspections. Refer to Section 1.0 for more information regarding Contractor Requirements.

In addition, PIH-REAC chose reserves the right to not make a purchase order award due to funding restrictions or other business reasons.

4.5 *Bid Protests*

Protest of an award made under the reverse auction shall be processed in accordance with the Federal Acquisition Regulation clause 52.233-3, Protest After Award, (see Attachment 1 of the Purchase Order Terms and Conditions).

ATTACHMENT 1

Small Business Registration Fact Sheet

Definition of a Small Business:

- A Small Business, as defined in The Small Business Act, is "one that is independently owned and operated and which is not dominant in its field of operation." The numeric values for determining a Small Business vary across industry.
- The United States Small Business Administration (SBA) considers a number of factors to determine the qualifying numeric values. These include, but are not limited to, degree of competition, average firm size, start-up costs and entry barriers, and distribution of firms by size.
- The SBA defines Small Business size. Size standards have been established for types of economic activity, or industry, generally under the North American Industry Classification System (NAICS).
- NAICS assigns codes to all economic activity within twenty broad sectors. A full table is published annually, which displays a size standard with an NAICS Industry or U.S. Industry code.
- To find out if your business is classified as a small business, please visit <http://www.sba.gov/size/sizetable2002.pdf>.

Registering a Small Business:

- Vendors must register their small business through the Central Contractor Registration (CCR) system. Developed by the Department of Defense (DoD), and PRO-Net, the CCR serves as a database of small businesses by the SBA. DoD and PRO-Net have recently merged to provide a single searchable database for agencies and vendors.
- The CCR collects and maintains specific information about and pertaining to small businesses. The database provides agencies with the ability to search for companies based on certain criteria including abilities, size, location, experience, and ownership.
- To begin the registration process, vendors should log into the CCR website at <http://www.ccr.gov/> and click on "Start New Registration".
- Each vendor must first register for a DUNS number in order to register with Central Contractor Registration (CCR). The DUNS number is the proprietary means of identifying business entities on a location-specific basis.
- After filling in the required information about the business, a DUNS number will be generated and sent via email within 48 hours. The vendor may then proceed to register with the CCR.
- Once registration has been processed and approved, the vendor will receive *two* emails. This first notice is to welcome the vendor to CCR and will include a copy of the registration. The second notice contains the confidential Trading Partner Identification Number (TPIN).
- Vendors must be sure to update and renew registration annually to maintain active status in order to continue participation in the Reverse Auction Program.

- For more information or questions regarding Small Business Registration, please visit <http://www.sba.gov/businessop/marketing/register.html> or www.ccr.gov, or call, 1-888-227-2423.

ATTACHMENT 2

MasterCard Vendor Account Fact Sheet

MasterCard Vendor Account Definition:

- A MasterCard Vendor Account is an electronic payment system, commonly referred to as a “merchant account.”
- This account enables the contractor to accept credit card payments through a “virtual terminal” (Internet website) or a “physical terminal” (storefront) for services rendered.

Reverse Auction Program Requirements:

- To participate in the Reverse Auction Program, each bidder must establish and maintain a vendor account with a MasterCard credit card company or merchant account provider.
- This account **must be able to process payments through an online terminal with a Merchant Category Code (MCC) of “9399-Government Services.”**
- The merchant account **must be set-up** using a credit card and not a debit/ATM card.

The Payment Process:

- The contractor receives a HUD Account number from the Reverse Auction Program.
- To claim payment for inspection work, the contractor will be required to enter an “authorization code” for each inspection performed (**the authorization code is the Inspection ID**) as point-of-sale information.
- The authorization code is entered into the virtual terminal, which initiates the payment into the contractor’s bank account. This is similar to “swiping” a credit card through a physical terminal.
- The credit card information is sent to a processing bank.
- The processing bank ensures that there are appropriate funds in the account and transfers the money to the contractor’s account within approximately 2 to 3 business days, depending on the processing bank.

Establishing a Vendor Account:

- The contractor must first establish a checking account to apply for a Level II MasterCard Vendor Account. The vendor account can be established through any merchant account provider that can process MasterCard Level II transactions.
- To apply for vendor status, you must be able to provide your business information by completing an online application. Information may include your name, Federal Tax ID or Social Security Number, and the number of the account in which payment is to be deposited.
- Approval, on average, generally occurs within two to three business days and virtual terminal setup occurs within five to six business days.
- There are fees associated with establishing and maintaining a vendor account. These fees vary according to the business needs and the provider. **The Reverse Auction Program**

does not pay activation or transaction fees associated with an account; the bidder must factor any additional costs into the bid per inspection.

Level II Data (POS/Customer Code):

- **Your account must use the requirements under Level II Data. If you do not have a Level II account, you will *not be able* to receive payment for inspection work.**
- A Level I vendor account is insufficient for the Reverse Auction Program. It is a standard card for a purchase transaction and only includes information such as “total purchase amount” and “date.”
- A Level II vendor account requires additional information for each purchase. This additional information includes the “authorization code,” which is necessary for payment for a specific inspection.

ATTACHMENT 3

Required Email Text for Inspection Confirmation

Subject Line: Physical Inspection of *[insert property name and property ID]*

Name of Property Owner

Property Name

Property Address

City, State

Inspection #, Property ID

Dear *[name of property owner]*:

This confirms that the referenced property is scheduled for inspection beginning at *[time]* on *[date]*, through *[time]* on *[date]*. Please note that the inspection will not include weekends or *[insert any Federal holiday falling during the inspection period]*. If there is any delay, I will immediately contact you by telephone and we will set new dates, if necessary.

Please provide the required written notice of the inspection to your residents. It is not necessary for the tenants of units selected for inspection to be present during this inspection.

Please note that your representative must accompany me at all times while he/she is on-site. Your representative should be prepared to provide access to all units identified in the inspection (when the tenant is not present or the unit is vacant) and all other areas of the property (e.g., maintenance facilities, offices, etc.). I will inform your representative of the units that have been selected for inspection on the day of the inspection, which is the result of a sample drawn on-site.

The inspection will include the entire property: project grounds, common areas, office, maintenance work areas, laundry rooms, community room, etc., and a sample of buildings and units selected at random. On the day of the inspection I will verify data provided on the property profile, as per our previous discussion. Please have available the following information to assist with the verification:

- Total number of buildings and number of units within each building;
- The unique building identifier (i.e., the address or some other identifier that will enable the identification of each building for future inspections);
- All applicable certifications, including inspections of elevators, sprinkler systems, fire alarms, and boilers; lead-based paint testing certification and HUD's disclosure form (Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards) for housing built prior to 1978 (including elderly properties) are also required;
- Current rent-roll (used for reference only, rent amounts are not necessary);
- Site-map or plot plan showing property layout and building locations, if available;

- Total square footage of the Parking Lots/Driveways/Roads and Walkways/Steps; if you do not provide these area measurements at the time of the inspection, I will provide an estimate of the square footages to HUD;
- Current occupancy percentage rate; and
- Copy of written notification to the residents of the inspection.

Please be advised that the terms of my contract with HUD do not permit me to discuss with you or your representative, or provide advice on, any deficiencies observed and recorded during the inspection. Both HUD and I appreciate that you may have different views regarding the deficiency definitions, but I must classify deficiencies in accordance with HUD's established inspection protocol and my best judgment. Differences of opinion regarding the facts of the inspection may be discussed with HUD staff at a later date.

HUD's Offices of Housing and Public Housing require that all exigent health and safety hazards be mitigated immediately. An exigent hazard is one that poses an immediate threat to life, health or property. During the inspection, the inspector will record all health and safety hazards. Before leaving the property, I will provide your representative with a written list of all such health and safety hazards and ask your representative to sign the form to acknowledge receipt. Such signature only acknowledges receipt of the form and does not indicate the representative's or your concurrence with its contents. A HUD representative will contact you later to assure that such items have been addressed in a timely manner.

Be advised that HUD may conduct a Quality Assurance (QA) inspection to verify the results of this inspection. That QA inspection may occur during, or shortly after this inspection.

Please reply to this email message to confirm receipt. If you have additional questions, please contact me by email or at *[insert phone number]*.

I wish to thank you and your staff in advance for your help with this inspection.

Sincerely,
Contractor Name – PIH-REAC Inspector #

cc: PIH-REAC Physical Inspection Program

ATTACHMENT 4

Please refer to the next page.

NOTIFICATION OF EXIGENT AND FIRE SAFETY HAZARDS OBSERVED

Property ID #: _____ Inspection ID # _____ Inspection Date: _____
 Property name: _____ PHA Name _____ Property Phone: _____
 Property Address: _____ PHA ID Number _____ Agent Phone: _____
 Property City: _____ State: _____ Zip: _____

PART 1 **EXIGENT HEALTH AND SAFETY HAZARDS**

Air Quality A-- Propane/Natural Gas/Methane Gas Detected Electrical Hazards B-- Exposed Wires/Open Panels C-- Water Leaks On or Near Electrical Equipment	Emergency Equipment/Fire Exits/Fire Escapes D-- Emergency/Fire Exits/Blocked/Unusable Fire Escapes E-- Blocked Egress/Ladders Gas/Oil Hot Water Heater/Gas/Oil HVAC F-- Carbon Monoxide Hazard - Gas/Oil Fired Unit -Missing/Misaligned Chimney
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** The Offices of Housing and Public Housing require all exigent hazards be mitigated immediately. The office of Housing requires a written report to be filed with the local office within 72 hours of the date of the inspection. All public housing agencies are required to document activities in this area under both PHMAP and PHAS requirements for later evaluation by HUD.

During this inspection, the following items were observed and noted as Exigent Health and Safety hazards that require immediate attention. Use additional sheets if needed.

Item Number	Site or Bldg. Location	DU or CA Location	CHECK DEFECT TYPE(s) (See list below)						COMMENT(s)	
			A	B	C	D	E	F		Certificate***
1										
2										
3										
4										
5										

*** Reserved for HUD Use.

PART 2 **FIRE SAFETY HAZARD**

Emergency Equipment/Fire Exits/Fire Escapes G-- Window Security Bars Prevent Egress H-- Fire Extinguishers Expired	Smoke Detectors I -- Missing/Inoperative
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During this inspection the following items were observed and noted as Fire Safety hazards which require immediate attention:

Item Number	Site or Bldg. Location	DU or CA Location	CHECK DEFECT TYPE(s) (See list below)			COMMENT(s)	
			G	H	I		Certificate***
1							
2							
3							

*** Reserved for HUD Use.

Other Health and Safety Concerns Not Defined In Above Matrix.

1.	
2	

NAME OF OWNER/AGENT'S REPRESENTATIVE (Please print legibly)

INSPECTOR NAME: (Print)

SIGNATURE OF OWNER/AGENT'S REPRESENTATIVE Date _____

INSPECTOR ID NUMBER

A copy of this notification will be provided to the appropriate local health/safety/fire code enforcement entity.

Neither the inspector, the inspector's employer nor the Department of Housing and Urban Development assume any liability whatsoever expressed or implied that the above noted health and safety hazards constitute all of the health and safety deficiencies that may be present on the property. Any and all liability for the health and safety hazards noted above, as well as any health and safety hazards that may exist on the property but were not observed by the inspector, are the full and absolute responsibility of the property owner and not the inspector, the inspector's employer nor the Department of Housing and Urban Development

NOTIFICATION OF EXIGENT AND FIRE SAFETY HAZARDS OBSERVED (continued)

Property ID #: _____

Inspection ID # _____

Inspection Date: _____

Inspector ID # _____

PART 1 EXIGENT HEALTH AND SAFETY HAZARDS

Air Quality A-- Propane/Natural Gas/Methane Gas Detected Electrical Hazards B-- Exposed Wires/Open Panels C-- Water Leaks On or Near Electrical Equipment	Emergency Equipment/Fire Exits/Fire Escapes D-- Emergency/Fire Exits/Blocked/Unusable Fire Escapes E-- Blocked Egress/Ladders Gas/Oil Hot Water Heater/Gas/Oil HVAC F-- Carbon Monoxide Hazard - Gas/Oil Fired Unit -Missing/Misaligned Chimney
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** The Offices of Housing and Public Housing require all exigent hazards be mitigated immediately. The office of Housing requires a written report to be filed with the local office within 72 hours of the date of the inspection. All public housing agencies are required to document activities in this area under both PHMAP and PHAS requirements for later evaluation by HUD.

During this inspection, the following items were observed and noted as Exigent Health and Safety hazards that require immediate attention. Use additional sheets if needed.

Item Number	Site or Bldg. Location	DU or CA Location	CHECK DEFECT TYPE(s) (See list below)						COMMENT(s)	
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*** Reserved for HUD Use.

NOTIFICATION OF EXIGENT AND FIRE SAFETY HAZARDS OBSERVED (continued)

Property ID #: _____

Inspection ID # _____

Inspection Date: _____

Inspector ID # _____

PART 2 **FIRE SAFETY HAZARD**

Emergency Equipment/Fire Exits/Fire Escapes G-- Window Security Bars Prevent Egress H-- Fire Extinguishers Expired	Smoke Detectors I -- Missing/Inoperative
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During this inspection the following items were observed and noted as Fire Safety hazards which require immediate attention:

Item Number	Site or Bldg. Location	DU or CA Location	CHECK DEFECT TYPE(s) (See list below)			COMMENT(s)	
			G	H	I		Certificate***
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*** Reserved for HUD Use